

POTENTIAL STRATEGY FOR SCHOOL REFORM IN MICHIGAN

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INTRODUCTION

The loss of nearly a million well-compensated manufacturing jobs in Michigan brought on by globalization has deeply, negatively, and permanently affected our state's economy. Much has been written about the importance of investing in education, as education is the vehicle that will lead Michigan into a more diverse and vibrant economy. A logical compromise needs to be crafted that would substantially improve the effectiveness and efficiency of the public school system in Michigan. This compromise needs to meet the needs of many important constituencies, most importantly, our state's children. Our children need a more meaningful and rigorous education taught exclusively by educators who have the knowledge, skill, and desire to provide each child with the best possible education. If we do not significantly reform the system, our children will pay twice: once by having a poorer quality education due to massive budget cuts and then again by having to pay very high tax rates as adults for an unsustainably expensive system, **if they stay in Michigan.**

Many studies and reports have been written on school reform that are much more comprehensive than the one you are about to read. Michigan's Defining Moment: Report of the Emergency Financial Advisory Panel (February 2, 2007) was written by a distinguished group of seasoned Michigan leaders from both political parties. It provides a rich base upon which our leaders in Lansing can make decisions for our state and is available at publicsectorconsultants.com. Tough Choices or Tough Times: The Report of the new Commission on the Skills of the American Workforce (December 14, 2006) was written by a highly respected group of national level leaders. It provides ideas for substantial reform to public education in order for us to adequately prepare our students for the rapidly changing economy. It is available at skillscommission.org. I highly recommend these and other reports that are issued by bi-partisan and philosophically balanced groups of people in order to gain a broader perspective on what needs to happen in education in the years and decades to come.

President Obama, Secretary Duncan, and State Superintendent Mike Flanagan have championed the "Race to the Top" initiative. It is clear that both political parties are firmly committed to drastically reforming public education at the federal level. The Race to the Top initiative is primarily aimed at improving the quality of education our children receive, though they have significant concern about the efficiency of public education as well. At the state level, after much political posturing designed to please their political bases over the last six years, hence little has actually been done at the state level to make schools more effective or efficient. The Democrats and Republicans now appear to be serious about trying to make our state's education system more efficient. Tax revenues have dropped sharply in Michigan and the federal stimulus money was able to prop up the school aid fund for 08-09 and 09-10 school years, thus preventing even more programmatic cuts than have already occurred. However, the 10-11 fiscal year does not have the federal stimulus package money holding it up, so the inevitable reforms that have been getting "punted" into the future appear to be a reality.

This synopsis is intended to be a “discussion starter” and considers several practical and attainable solutions for our legislators and governor’s office to address some of the problems that most negatively impact the students of Michigan. It is written from the perspective of a small school superintendent in Michigan who finds his school district being very negatively impacted by decisions made in Lansing. I do not claim to have any special expertise and am sure these ideas will evolve and change as true experts discuss them. This paper addresses several of the “sacred cows” in public education. It is inevitable that the “sacred cows” will be addressed, as the budget crunch brought on by our tenth consecutive year of recession in our state is turning over many stones as so many valuable programs are being cut out from underneath our students. There is real cause for hope that our leaders may approach this in a more bi-partisan manner than in the past as the crisis is more extreme than Michigan has seen. Leaders of both parties are proposing substantive measures that have potential to prevent our students from bearing the brunt of this recession by being placed in classes with 35 other students, not having opportunities to participate in meaningful extra-curricular activities, or not having the necessary support they need to learn due to school budget cuts. It would be tempting to simply advocate for a large tax increase, but given the current retirement, insurance, and structures created by the Public Employees Relations Act, a 6-7% tax increase is needed every year. This is not going to happen as it is unsustainable and would further erode our economy.

The following points should be discussed in a collaborative manner, as the reform attempts made in the past few years have been largely unsuccessful as “landmines” were able to successfully minimize their potential to make the system more efficient or effective.

1. **Reform public employee pensions/health benefits for retirees.** A comprehensive study needs to be done to compare our systems to other states and make it comparable, sustainable and affordable. In 2004, the national average per capita spending for school employee benefits was \$255. In Michigan, it was \$376, which is about 2/3 higher than the national average. Currently, about 12% of all money going to public education is going into the retirement system to pay for pensions and health insurance benefits for retirees. This is projected by the well-respected Citizens Research Council to increase to as high as 20%, which will devastate school budgets and/or cause taxes in Michigan to significantly increase making the state less desirable for employers to stay.

There are **many little-known “loopholes”** within the public school retirement system that would not hold up to the public scrutiny that will come with a tax increase. Those who defend the status quo will be made to look greedy if they try to preserve and defend a logically indefensible program. Many changes can be made to prevent the retirement rate charged to public schools from escalating and even more that would not affect current employees either, such as moving new employees to a defined contribution system like all new state employees were moved to in 1997. There are ways to address this in order to make Michigan’s benefit structures sustainable. For comparative purposes, it should start with a comprehensive study. The National Association of State Retirement Administrators (nasra.org) would be a good place to start this study.

The legislature’s recent openness to take a look at their own retirement benefits sends a clear signal that some leaders are willing to go first, thus taking the high moral ground, to

rein in the cost of public pension/benefits for retirees. Reform should also be made soon, prior to a potential **constitutional convention in 2010** during which public employees could lose complete control of the issue. It is possible that other organizations could take the lead on the issue and seek to deeply harm people who have devoted their lives to public service, sacrificing larger private sector wages for secure pension benefits. Such organizations, with the support of the many people who have had their own pensions/benefits cut, could push for changes retroactively for current employees that are not allowed under the present constitution. Most public educators are not greedy and would probably accept some inevitable change that many people in our society are coping with, that being the modification of retirement benefits due to competitive pressures from the global economy and devastated domestic auto industry in Michigan. However, great care needs to be given to ensure that those who committed their career to public service are held as harmless as possible while also keeping in mind that "grandfathering" some people often times makes it more difficult on the "grandchildren".

2. **Create a mandatory statewide insurance pool for public school employees.** This large pool would provide high quality health care, provide the opportunity for insurance options, be large enough to negotiate effectively with health care providers, **save hundreds of millions of dollars/year**, and group all school employees together. This is important so **healthier districts could not be "cherry picked"** by health insurance companies only interested in insuring healthy groups of people. Simply releasing claims data as the 2007 legislation mandated would only allow insurance companies to "cherry pick" districts that may be more profitable, therefore the cost of insurance will soar for less healthy districts. Thus, the quality of **programming for kids would be tied to the health of their educators, which is bad public policy.** Mandatory insurance pools are successfully being implemented in many large organizations and can be replicated for the entire state as Speaker Dillon's plan indicates.
3. **Lengthen the school day and the school year.** Currently, many students in Michigan are required to go to school only about **165 days**, making it one of the shortest school year in the industrialized world. Due to the financial strain created by insufficient revenues, increasing costs of medical insurance, and sky-rocketing retirement costs, many districts have resorted to **cutting school days in order to keep labor peace.** The 180-day requirement that is typical for the United States was lifted by the state of Michigan about five years ago, making this possible. Simply restoring the 180 days is not enough, given the fact that our students will be competing for jobs with people in school for many more days of their childhood. Increasing the requirement to **190 school days** for children would be a good starting point, though it is still far less than the children in most industrialized nations, many of whom are in school about 210 to 220 days. **In addition, there should be 10 staff only days** to provide the necessary time for the professional development, test data analysis, and collaborative planning necessary to make our schools truly excellent. This would bring public education in line with the highly successful 90-90-90 schools who have had remarkable success with very needy children. However, it would be **unreasonable to expect Michigan's teachers to work longer hours and more days without significant pay increases.** Prior to developing legislation, a study should be done comparing the number of days and hours students are

in school in the other states and around the world. There is a growing number of proponents of virtual learning, which could make this issue obsolete if virtual learning is truly effective at preparing students for college and careers. This could also mean the end of public education as we know it.

4. **Significantly increase funding for full-day pre-school programs and Graceland School Readiness program.** The more that is learned about how people learn through the advancements in reading brain activity, the more we understand the importance of educating children at the early ages. Funding for these programs has been decreasing significantly causing many districts to cut these crucial programs for at-risk pre-schoolers.
5. **Tenure Reform:** This is a tough subject to write about for a practicing superintendent, but I feel I can since Olivet has a truly outstanding teaching staff who would be largely un-phased by tenure reform. However, horror stories about some teachers who do not take their jobs as seriously as they should are all too common. If Michigan's schools are going to become what they need to be to prepare our students for a radically different economy, all of our students' educators need to be truly capable and committed to providing excellent instruction in a safe and caring environment. The protections offered to the few incompetent tenured teachers, some of whom embarrass their peers who truly are committed to the profession, allow some of our most vulnerable students to be taught by people unable or unwilling to fulfill this very demanding responsibility. Tenure can and needs to be modified, though not eliminated, so that a child's future is reliant only on those who take their education as seriously as it truly is. One reason tenure is necessary is so teachers can make professional and fair decisions regarding the children of administrators and board members without fear for their jobs. However, the tenure process is far more expensive and time-consuming than it needs to be and should be modified. Again, **many people and legislators will support tax increases if they know they will get something for it. Tenure reform is desperately needed to restore trust and confidence in the public education system, as well as increasing the sense of professionalism** in this most important career.
6. **Consolidation of Services:** The consolidation of services has many merits. More can, and needs to, be done to make public education more efficient through the consolidation of services. Care needs to be taken, however, so consolidation of services does not make us less responsive to the needs of the students and families we serve by creating large unresponsive bureaucracies.

If, however, we are serious about consolidating services, consideration needs to be given to **centralize the salary and benefit negotiations in Lansing for all public education employees.** This would allow for many administrators who spend an inordinate amount of time negotiating contracts to be laid off or re-assigned to positions that will more directly and positively impact students. There is a severe shortage of superintendents and secondary principals, and this change would enhance the supply of qualified candidates. It would also spare the many teachers involved in negotiating contracts the time and stress and allow them to focus their energies on more productive activities. In addition,

the negotiation process often increases the amount of administrative turnover in school districts, which can have a negative impact on student achievement, district continuity, and community support for schools. The difference in teacher compensation between school districts is negligible except for the 20j districts that receive extra funding due to their larger property tax base prior to 1993. The differences do not justify the enormous energies put into the de-centralized system of negotiations mandated under PERA. Salaries/benefits are negotiated in 550 school districts across the state. This system was designed early in the last century when revenues were locally determined. Now that revenue is controlled by the state, it would be logical to have district's largest expenditures be negotiated at the state level as well.

Moreover, teachers often gain experience in rural and urban areas and then leave for the suburbs and higher salaries. There are significant pay differentials around the state, particularly for the 20j districts. A more equitable system would encourage more educators to stay in their schools, thus enhancing the quality of education students would receive in rural and urban areas. With a combination of Tenure Reform and the consolidation of negotiation services in Lansing, a great deal of money could be saved and used for more educational purposes. In addition, local Boards of Education and **administrators would be able to focus their energies on educational issues**, rather than the community-dividing and contentious labor negotiations that are too prevalent today. A centralized system could certainly include factors for cost of living in particular localities, experience, education level, and other relevant issues. This is being done in several states and should be thoroughly studied to develop a system of compensation that attracts and retains high quality educators, so all children are educated by highly trained and motivated professionals.

7. **Adjust the State School Aid Payment Schedule.** Due to the timing of the state aid payments that school districts receive, many school boards and superintendents feel compelled to maintain a reasonably high fund equity (savings account), so there is adequate cash flow to pay the monthly payroll and bills. If a school district does not maintain about a 15% fund equity, they will need to pay a significant amount of interest in order to borrow money during the times of the year when there is a low cash flow. Adjusting the timing of the state aid payments would allow districts to responsibly spend more of their money on staff and programs for children rather than paying interest to a lending institution. This would be an example of consolidating services, as the state could be the one to borrow the money, rather than hundreds of school districts. It would also be logical that the state would also get a lower interest rate than individual districts.

Another way to approach this issue would be for the state to change their fiscal year back to a July 1 start. This change would cause school budgets to line up better with the state budget, which would enable us to budget more wisely and spend less money paying interest and more educating students.

8. **Hold school districts accountable for financial decisions.** There are currently about 40 school districts in Michigan that are truly in debt. These districts are required to submit a financial plan of action to the state, but are rarely held accountable. In August of 2009,

Superintendent Flanagan truly held Madison Schools accountable and they emerged solvent in a matter of weeks after being on a deficit reduction plan for over nine years as pay cuts were agreed upon with their employees. He needs to be empowered and properly staffed to do this much more often.

In the private sector, companies go bankrupt and re-organize under the guidance of a bankruptcy judge in order to be made viable again. The only ones gaining from the current system are the lending institutions who are collecting large sums of money from "bankrupt" public sector entities that need to continually borrow money to make payroll and to pay their bills.

9. **Reform the tax structures.** The Michigan tax structure needs to match this century's economy, so an expansion of the service tax and eliminating the Michigan Business Tax would be logical. It would significantly assist our state's employers, which is essential for our state to rebound. Further analysis needs to be done related to school taxation to make it more stable and sustainable. There is significant disparity in funding for facilities, special education, and vocational education around the state.

The public would be much more likely to support a tax increase if they knew they were truly getting more for their money. The public may have been more supportive of Proposal 5 in November of 2006 if they could have been guaranteed that it was not about public employee benefits, many of which are much more generous than the public enjoys. This lack of public support is certainly influencing legislators of both parties to shy away from supporting it. Reforming medical insurance and retiree pension/benefits, adding days and hours to the school calendar, funding pre-school education, centralizing salary/benefit negotiations to allow school districts to focus their energies on educating children, and modifying tenure and accountability for school boards would give the public the assurance they need to support a tax increase that is needed to provide a world class education for all of our students.

As the Governor's Emergency Financial Advisory Panel suggested, Michigan's tax rates and structures are not inordinately high compared to other states. We are in the middle. As long as the new tax is not a tax on employers, it is unlikely taxes would be the reason that companies decide to relocate. A stable funding source for public education needs to be found to avoid the turmoil that has been brought to so many schools due to mid-year budget cuts. The state simply needs to step up with a consistent source of funding, making this tax increase necessary.

CONCLUSION

It is unfortunate that our leaders in Lansing have chosen to "kick this can down the road" year after year. It has only made the problem larger and the action needed to fix it more drastic. **George Washington** warned us in his Farewell Speech that if political parties are developed, they could harm the republic as leaders may become **more loyal to their party than to their nation**. As our coaches like to remind their players, **"it is amazing how much we can get done if we do not care who gets the credit."**